



Top TFSA Picks: 2 Great Income Stocks for Pensioners

Description

Canadian retirees are using their [TFSAs](#) to buy top dividend stocks for pension income.

TFSA benefits

The TFSA contribution limit increased by \$6,000 in 2021. This brings the total cumulative TFSA space to a maximum of \$75,500 per person. A retired couple would now have as much as \$151,000 in combined TFSA room to generate tax-free income.

Retirees get an extra benefit from the TFSA. The earnings generated inside the TFSA do not get counted by the CRA when determining the [OAS pension recovery tax](#). This is important, as it could save OAS recipients hundreds or thousands of dollars.

A TFSA that holds top dividend stocks and provides an average yield of 5% would generate \$3,775 in tax-free annual income on a \$75,500 portfolio. Let's take a look at two dividend stocks that might be interesting picks right now.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) pays a monthly distribution of \$0.22 per share. That's great for income investors who want to receive 12 payouts per year instead of waiting for quarterly dividends.

Pembina Pipeline has a 60-year history of successful growth through organic projects and strategic acquisitions. The recently announced agreement to buy **Inter Pipeline** for about \$8.3 billion would create one of the largest energy infrastructure companies in Canada. If [the deal](#) goes through, Pembina Pipeline says it will immediately increase the monthly dividend by a penny.

Investors who buy the stock near the current price of \$40 per share can pick an annualized dividend yield of 6.3%.

Telus

Telus ([TSX:T](#))([NYSE:TU](#)) is a leader in the Canadian communications industry with network infrastructure providing mobile, internet, and TV services across the country.

A recent decision by the CRTC to cancel forced cuts to wholesale internet prices provides Telus with more assurance on its future revenue stream and should give the company the confidence to boost capital spending on new fibre and [5G](#) infrastructure.

The telecom giant also has a growing business focused on healthcare. Telus Health really came into its own over the past year and is at the forefront of digital disruption in the Canadian healthcare sector. The division is a leading provider of digital health solutions for doctors, hospitals, and insurance companies.

The stock price might not fully reflect the potential revenue stream from Telus Health or the value the company might generate for investors if it decides to spin off the group in an IPO. Telus successfully listed its international division earlier this year as part of its effort to raise the capital needed to build out its 5G network. Management also pulled in \$1.3 billion through a stock sale.

Telus has a great track record of dividend growth. The stock currently provides a dividend yield of 4.7%.

The bottom line on TFSA income

Pembina Pipeline and Telus are top Canadian dividend stocks that offer above-average yields for TFSA income investors. A balanced portfolio that includes these companies and other reliable dividend stocks would easily generate an average yield of 5%.

That's much better than the return you get on a GIC and the full value of the distributions can go straight into your pocket without the fear of being bumped into a higher tax bracket or triggering an OAS clawback.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TU (TELUS)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:T (TELUS)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/27

Date Created

2021/06/13

Author

aswalker

default watermark

default watermark